

COMMITTEE ON LEGISLATIVE RESEARCH  
 OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3932-02  
Bill No.: HB 1717  
Subject: Health Care; Health Care Professionals; Nursing and Boarding Homes.  
Type: Original  
Date: February 19, 2002

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue	(\$1,128,915)	(\$1,992,730)	(\$2,010,368)
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>(\$1,128,915)</b>	<b>(\$1,992,730)</b>	<b>(\$2,010,368)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
<b>Total Estimated Net Effect on <u>All</u> Federal Funds*</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\* Revenues and expenditures to exceed \$3.2 million annually and net to \$0.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
 This fiscal note contains 6 pages.

**FISCAL ANALYSIS**

## ASSUMPTION

Officials from the **Missouri Health Facilities Review Committee (MHFRC)** stated they based their projections concerning additional revenue on the following assumptions. For calendar years 1999, 2000, and 2001, they reviewed those projects which had received a non-applicability determination and which would now be subject to Certificate of Need review as a result of the proposed legislation.

Based on the analysis, the MHFRC determined that, on the average, they would receive approximately \$36,000 in additional revenue annually. The MHFRC also believes there could be as many as 20 additional applications which did not obtain a non-applicability review, but now would be reviewable. Applying the minimum application fee of \$1,000 to these 20 application would result in an additional \$20,000 going into General Revenue.

Officials from the **Office of the Secretary of State (SOS)** state this bill revises the certificate of need law. Based on experience with other divisions, the rules, regulations and forms issued by the Department of Health and Senior Services could require as many as 30 pages in the *Code of State Regulations*. For any given rule, roughly one-half again as many pages are published in the *Missouri Register* as are published in the Code because cost statements, fiscal notes and notices are not published in the Code. The estimated cost of a page in the *Missouri Register* is \$23.00. The estimated cost of a page in the *Code of State Regulations* is \$27.00. The actual costs could be more or less than the numbers given. The fiscal impact of this legislation in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded and withdrawn. The SOS estimates the cost of this legislation to be \$1,845 [(30 pp x \$27) + (45 pp x \$23)].

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Department of Economic Development** assume the proposed legislation will not fiscally impact their organization.

Officials from the **Department of Social Services - Division of Medical Services (DMS)** provided the following assumptions relating to the proposed legislation:

Changing the dollar cap on non-reviewable projects from \$1 million to \$10 million could have an impact on DMS, however it is believed the impact would be a minimal savings. The last item, Section 1 will have an impact as explained below.

## ASSUMPTION (continued)

Under current regulations, a facility must have a CON in order to request a rate adjustment.

Increasing the threshold from \$1 million to \$10 million will reduce the number of projects that qualify for a rate adjustment thus reducing rate requests. However, a review of the rate requests received in the last two calendar years show only four rate requests were under \$10 million.

Only four (4) facilities were identified which qualify under Section 1. The latest occupancy of each facility was used and the statewide average for the Medicaid share of total patient days was also used.

The rate that would be paid for the first two years of operations would be an interim rate that is currently \$95.74. There would be a delay of ninety (90)-days for eligibility which initially which lowers the annual costs the first year, however, this will have an minimal effect after the initial ninety (90)-days.

The estimate is based on the following assumptions. The proposed legislation will impact the CON

process. Four facilities received a CON based on the fact they would not participate in the Medicaid

program. This legislation would now allow those homes to be eligible for Medicaid participation. The wording "may receive" is assumed to require that federal matching funds be available for any

Medicaid payment. The nursing facility would be enrolled in Medicaid, the recipient would be eligible for Medicaid and the specific bed would be Medicaid certified before a Medicaid payment is made.

**The proposed legislation will result in additional Total State Revenue.**

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
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**GENERAL REVENUE FUND**

Income - Missouri Health Facilities  
 Review Committee

Additional application fees	<u>\$56,000</u>	<u>\$58,800</u>	<u>\$61,740</u>
Total <u>Income</u> - Missouri Health Facilities Review Committee	<u>\$56,000</u>	<u>\$58,800</u>	<u>\$61,740</u>

Costs - Department of Social Services -  
 Division of Medical Services

State match for Medicaid services	<u>(\$1,184,915)</u>	<u>(\$2,051,530)</u>	<u>(\$2,072,108)</u>
Total <u>Cost</u> - Department of Social Services	<u>(\$1,184,915)</u>	<u>(\$2,051,530)</u>	<u>(\$2,072,108)</u>

**ESTIMATED NET EFFECT ON  
 GENERAL REVENUE FUND**

<u><b>(\$1,128,915)</b></u>	<u><b>(\$1,992,730)</b></u>	<u><b>(\$2,010,368)</b></u>
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**FEDERAL FUNDS**

Income - Department of Social Services -  
 Division of Medical Services

Medicaid reimbursement	\$1,871,353	\$3,240,009	\$3,272,509
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Costs - Department of Social Services -  
 Division of Medical Services

Medicaid reimbursements to nursing facilities	<u>(\$1,871,353)</u>	<u>(\$3,240,009)</u>	<u>(\$3,272,509)</u>
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**NET ESTIMATED EFFECT ON  
 FEDERAL FUNDS\***

<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>
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**\* Revenues and expenditures to exceed \$3.2 million annually and net to \$0.**

<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
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<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

### DESCRIPTION

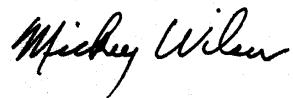
This bill makes numerous changes and additions to the Missouri Certificate of Need Law. The bill:

(1) Requires that the Director of the Department of Health hire and supervise the clerical and administrative support staff of the Health Facilities Review Committee; (2) Adds long-term care beds in specified hospitals and certain long-term care hospitals to the definition of "health care review facilities"; (3) Sets forth certain requirements for the committee in the review certification process. The requirements involve notifying applicants for review certification, conducting public hearings, issuing written findings, and reviewing specified issues when determining whether to grant certification; (4) Requires individuals who propose the development of a new institutional acute care service or first-time service to submit a letter of intent to the committee 30 days before filing an application and requires that an application fee be paid for each application for review certification; (5) Allows an applicant to file an appeal within 30 days of the committee's decision and for the appeal to be heard de novo by the administrative hearing commissioner. It also establishes the venue for subsequent appeals; (6) Requires individuals who propose to develop or offer a new institutional acute care service or who propose a first-time service to obtain a review certification from the committee prior to offering these services; (7) Requires that a review certification be obtained when there is a proposal to add new beds to an existing hospital; (8) Requires review certification for the renovation or replacement of a current location when the cost is more than \$10 million; (9) Requires the committee's consent for project cost increases in excess of 10% over the initial estimate; (10) Requires applicants who have been granted a review certification to provide periodic reports to the committee until the project is completed; (11) Requires acute care facilities to have a review certification in order to be licensed by the state or to receive grants or appropriated funds; (12) Allows skilled nursing facilities to be authorized to receive Medicaid reimbursement on behalf of residents who have resided in the facility for 90 days before becoming eligible for Medicaid; and (13) Removes the sunset provision from certificate of need laws.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

### SOURCES OF INFORMATION

Missouri Health Facilities Review Committee  
Office of Secretary of State  
Department of Economic Development  
Department of Social Services

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA  
Acting Director  
February 19, 2002